

Shawcor Ltd.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

September 30, 2016

Shawcor Ltd.

Interim Consolidated Statements of Income (Loss) (Unaudited)

(in thousands of Canadian dollars, except per share amounts)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Revenue				
Sale of products	\$ 97,386	\$ 103,319	\$ 285,978	\$ 362,112
Rendering of services	161,753	382,109	594,099	993,276
	259,139	485,428	880,077	1,355,388
Cost of Goods Sold and Services Rendered	172,162	323,460	595,295	900,796
Gross Profit	86,977	161,968	284,782	454,592
Selling, general and administrative expenses	79,047	86,130	248,883	282,907
Research and development expenses	1,904	2,414	10,934	11,026
Foreign exchange (gains) losses	(1,400)	(1,409)	39	(1,586)
Amortization of property, plant and equipment	14,340	15,104	43,422	43,478
Amortization of intangible assets	5,599	5,348	17,941	15,848
Gain on sale of land	(420)	(814)	(931)	(814)
Impairment (note 8)	155,882	–	157,311	–
(Loss) Income from Operations	(167,975)	55,195	(192,817)	103,733
Loss from investments in associates	(559)	(9)	(1,727)	(266)
Finance costs, net (note 9)	(4,330)	(4,855)	(13,047)	(13,516)
Costs associated with repayment and modification of long-term debt (note 15)	–	–	(2,061)	–
(Loss) Income before Income Taxes	(172,864)	50,331	(209,652)	89,951
Income taxes	2,481	12,219	(747)	21,898
Net (Loss) Income	\$ (175,345)	\$ 38,112	\$ (208,905)	\$ 68,053
Net (Loss) Income Attributable to:				
Shareholders of the Company	\$ (174,019)	\$ 38,107	\$ (208,236)	\$ 67,343
Non-controlling interests	(1,326)	5	(669)	710
Net (Loss) Income	\$ (175,345)	\$ 38,112	\$ (208,905)	\$ 68,053
Earnings (Loss) per Share ("EPS") (note 11)				
Basic	\$ (2.69)	\$ 0.59	\$ (3.22)	\$ 1.04
Diluted	\$ (2.69)	\$ 0.59	\$ (3.22)	\$ 1.04
Weighted Average Number of Shares Outstanding (000's) (note 11)				
Basic	64,611	64,521	64,577	64,509
Diluted	64,611	64,741	64,577	64,737

Shawcor Ltd.

Interim Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

(in thousands of Canadian dollars)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net (Loss) Income	\$ (175,345)	\$ 38,112	\$ (208,905)	\$ 68,053
Other Comprehensive (Loss) Income to be Reclassified to Net (Loss) Income in Subsequent Periods				
Exchange differences on translation of foreign operations	9,363	43,874	(39,939)	66,665
Other comprehensive income (loss) attributable to investments in associates	125	306	(853)	504
Cash flow hedge losses reclassified to net (loss) income	-	-	1,536	-
Net Other Comprehensive (Loss) Income to be Reclassified to Net (Loss) Income in Subsequent Periods	9,488	44,180	(39,256)	67,169
Other Comprehensive Loss not to be Reclassified to Net (Loss) Income in Subsequent Periods				
Actuarial loss on defined benefit plan	-	-	(9,697)	-
Income tax expense	-	-	2,606	-
Net Other Comprehensive Loss not to be Reclassified to Net (Loss) Income in Subsequent Periods	-	-	(7,091)	-
Other Comprehensive Income (Loss), Net of Income Tax	9,488	44,180	(46,347)	67,169
Total Comprehensive (Loss) Income	\$ (165,857)	\$ 82,292	\$ (255,252)	\$ 135,222
Comprehensive (Loss) Income Attributable to:				
Shareholders of the Company	\$ (163,600)	\$ 82,478	\$ (252,777)	\$ 135,078
Non-controlling interests	(2,257)	(186)	(2,475)	144
Total Comprehensive (Loss) Income	\$ (165,857)	\$ 82,292	\$ (255,252)	\$ 135,222

Shawcor Ltd.

Interim Consolidated Balance Sheets (Unaudited)

(in thousands of Canadian dollars)	September 30, 2016	December 31, 2015
ASSETS		
Current Assets		
Cash and cash equivalents (note 13)	\$ 114,413	\$ 260,645
Short-term investments	2,798	2,954
Loans and notes receivable (note 14)	2,661	-
Accounts receivable	246,216	396,974
Income taxes receivable	31,510	35,804
Inventories	127,637	167,557
Prepaid expenses	29,883	20,112
Derivative financial instruments (note 5)	1,095	3,024
	556,213	887,070
Non-current Assets		
Loans and notes receivable (note 14)	4,965	7,908
Property, plant and equipment (note 8)	453,152	485,555
Intangible assets (note 8)	194,502	223,298
Investments in associates	28,288	30,868
Deferred income tax assets	25,342	27,668
Other assets	24,707	26,268
Goodwill (note 8)	346,072	457,070
Total non-current assets	1,077,028	1,258,635
TOTAL ASSETS	\$ 1,633,241	\$ 2,145,705
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 193,914	\$ 295,911
Provisions	19,767	25,562
Income taxes payable	31,209	34,624
Derivative financial instruments (note 5)	2,610	1,984
Deferred revenue	77,088	58,129
Obligations under finance lease	983	1,176
Other liabilities	11,904	23,279
Total current liabilities	337,475	440,665
Non-current Liabilities		
Long-term debt (note 16)	355,711	485,147
Obligations under finance lease	11,650	12,600
Provisions	40,134	44,075
Employee future benefits	33,244	21,942
Deferred income tax liabilities	6,181	14,898
Other liabilities	1,421	1,177
Total non-current liabilities	448,341	579,839
Total Liabilities	785,816	1,020,504
Equity		
Share capital (note 18)	537,724	534,484
Contributed surplus	21,890	18,638
Retained earnings	255,461	492,713
Non-controlling interests	4,980	7,455
Accumulated other comprehensive income	27,370	71,911
Total Equity	847,425	1,125,201
TOTAL LIABILITIES AND EQUITY	\$ 1,633,241	\$ 2,145,705

Shawcor Ltd.

Interim Consolidated Statements of Change in Equity (Unaudited)

(in thousands of Canadian dollars)

	Share Capital	Contributed Surplus	Retained Earnings	Non- controlling Interests	Accumulated Other Comprehensive Income (Loss)	Total Equity
	\$	\$	\$	\$	\$	\$
Balance - December 31, 2015	534,484	18,638	492,713	7,455	71,911	1,125,201
Net loss	–	–	(208,236)	(669)	–	(208,905)
Other comprehensive loss	–	–	–	(1,806)	(44,541)	(46,347)
Comprehensive loss	–	–	(208,236)	(2,475)	(44,541)	(255,252)
Issued on exercise of stock options	2,228	–	–	–	–	2,228
Compensation cost on exercised stock options	733	(733)	–	–	–	–
Compensation cost on exercised restricted share units	279	(279)	–	–	–	–
Share-based compensation expense	–	4,264	–	–	–	4,264
Dividends declared and paid to shareholders (note 18)	–	–	(29,016)	–	–	(29,016)
Balance – September 30, 2016	537,724	21,890	255,461	4,980	27,370	847,425
Balance – December 31, 2014	533,660	14,625	433,177	7,254	(8,103)	980,613
Net income	–	–	67,343	710	–	68,053
Other comprehensive (loss) income	–	–	–	(566)	67,735	67,169
Comprehensive income	–	–	67,343	144	67,735	135,222
Issued on exercise of stock options	500	–	–	–	–	500
Compensation cost on exercised stock options	195	(195)	–	–	–	–
Compensation cost on exercised restricted share units	119	(119)	–	–	–	–
Share-based compensation expense	–	3,059	–	–	–	3,059
Dividends declared and paid to shareholders (note 18)	–	–	(29,030)	–	–	(29,030)
Balance – September 30, 2015	534,474	17,370	471,490	7,398	59,632	1,090,364

Shawcor Ltd.

Interim Consolidated Statements of Cash Flows (Unaudited)

(in thousands of Canadian dollars)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Operating Activities				
Net (loss) income	\$ (175,345)	\$ 38,112	\$ (208,905)	\$ 68,053
Add (deduct) items not affecting cash				
Amortization of property, plant and equipment	14,340	15,104	43,422	43,478
Amortization of intangible assets	5,599	5,348	17,941	15,848
Amortization of long-term prepaid expenses	156	232	353	1,309
Impairment (note 8)	155,882	–	157,311	–
Decommissioning liabilities expense	(1,336)	231	(968)	1,421
Other provisions expense	287	2,704	8,475	12,381
Share-based and other incentive-based compensation (note 12)	1,985	2,357	5,861	5,796
Loss (gain) on disposal of property, plant and equipment	640	(43)	1,404	146
Gain on sale of land	(420)	(814)	(931)	(814)
Unrealized gain on derivative financial instruments	570	978	2,290	6,809
Loss from investments in associates	559	9	1,727	266
Deferred income taxes	(644)	(789)	(10,715)	(5,654)
Other	853	–	(488)	–
Settlement of decommissioning liabilities	–	(1,579)	(6)	(1,585)
Settlement of other provisions	(3,383)	(5,060)	(14,675)	(7,868)
Net change in employee future benefits	1,124	24	811	51
Change in non-cash working capital and foreign exchange	21,706	(27,922)	73,694	13,300
Cash Provided by Operating Activities	22,573	28,892	76,601	152,937
Investing Activities				
Increase in loans receivable	–	(28)	–	(24)
(Increase) decrease in short-term investments	(22)	(191)	156	(7,102)
Purchase of property, plant and equipment	(18,481)	(14,210)	(51,876)	(42,456)
Proceeds on disposal of property, plant and equipment	1,100	1,462	4,462	2,318
Purchase of intangible assets	–	(29)	–	(83)
Deferred purchase consideration payment	–	–	–	(1,305)
Investments in associates	–	(3,225)	–	(6,481)
Decrease in other assets	4,069	–	1,061	77
Business acquisition, net of cash acquired (note 4)	–	(177)	(32,331)	(17,213)
Cash Used in Investing Activities	(13,334)	(16,398)	(78,528)	(72,269)
Financing Activities				
Decrease in bank indebtedness	–	–	–	(4,685)
Increase (decrease) in loans payable	–	11	(520)	(2,502)
Repayment of long-term debt	–	–	(101,820)	–
Repayment of obligations under finance lease	(264)	(162)	(629)	(763)
Issuance of shares (note 18)	584	–	2,228	500
Dividends paid to shareholders (note 18)	(9,694)	(9,678)	(29,016)	(29,030)
Cash Used in Financing Activities	(9,374)	(9,829)	(129,757)	(36,480)
Effect of Foreign Exchange on Cash and Cash Equivalents				
	(1,068)	11,744	(14,548)	19,034
Net (decrease) increase in Cash and Cash Equivalents	(1,203)	14,409	(146,232)	63,222
Cash and Cash Equivalents - Beginning of Period	115,616	165,369	260,645	116,556
Cash and Cash Equivalents - End of Period	\$ 114,413	\$ 179,778	\$ 114,413	\$ 179,778

Shawcor Ltd. is a publicly listed company incorporated in Canada with its shares listed on the Toronto Stock Exchange. Shawcor Ltd., together with its wholly owned subsidiaries (collectively referred to as the "Company" or "Shawcor"), is a growth oriented, global energy services company serving the Pipeline & Pipe Services and the Petrochemical & Industrial segments of the energy industry. The Company operates eight divisions with over 80 manufacturing and service facilities located around the world. Further information as it pertains to the nature of operations is set out in note 6.

The head office, principal address and registered office of the Company is 25 Bethridge Road, Toronto, Ontario, M9W 1M7, Canada.

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1 Basis of Financial Statement Preparation

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and thus should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2015 ("Annual Consolidated Financial Statements"). The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the Annual Consolidated Financial Statements, except as set out in note 3.

Basis of Presentation and Consolidation

The interim consolidated financial statements have been prepared on the historical cost basis, except for certain current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in the Company's Annual Consolidated Financial Statements.

The interim consolidated financial statements are presented in Canadian dollars and all values are rounded to the nearest thousand, except when otherwise stated.

The interim consolidated financial statements comprise the financial statements of the Company and the entities under its control and the Company's equity accounted interests in joint ventures and associates.

The preparation of interim consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these interim consolidated financial statements, are described in note 2 of the Company's Annual Consolidated Financial Statements.

The results of the subsidiaries acquired during the period are included in the interim consolidated financial statements from the date of the acquisition. Adjustments are made, where necessary, to the financial statements of the subsidiaries, joint arrangements and associates to ensure consistency with those policies adopted by the Company. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

The interim consolidated financial statements and accompanying notes as at and for the nine-month period ended September 30, 2016 were authorized for issue by the Company's Board of Directors ("Board") on November 9, 2016.

2 Accounting Standards Issued but Not Yet Applied

IFRS 2, Share-based Payment

In June 2016, the IASB issued amendments to IFRS 2 Share-based Payment in relation to the classification and measurement of share-based payment transactions. The amendments address three main areas:

- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations; and
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

The amendments are effective for annual periods beginning on or after January 1, 2018. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. Early application is permitted. The Company has not yet determined the impact of this standard on the consolidated financial statements.

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of *IFRS 9 – Financial Instruments*, which replaces all phases of the financial instruments project, *IAS 39 – Financial Instruments: Recognition and Measurement* and all previous versions of *IFRS 9*. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The new

standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company has not yet determined the impact of this standard on the consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued *IFRS 15 - Revenue from Contracts with Customers*, which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Under *IFRS 15*, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in *IFRS 15* provide a more structured approach to measuring and recognizing revenue.

In April 2016, certain amendments were made to the original standard issued in May 2014. The amendments to the Revenue Standard do not change the underlying principles of the Standard but clarify how those principles should be applied.

The amendments clarify how to:

- identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract;
- determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and
- determine whether the revenue from granting a licence should be recognised at a point in time or over time.

In addition to the clarifications, the amendments include two additional provisions to reduce cost and complexity for a company when it first applies the new Standard.

The standard is effective for annual periods beginning on or after January 1, 2018. The Company has not yet determined the impact of this standard on the consolidated financial statements..

IFRS 16 – Leases

IFRS 16, issued by the IASB in January 2016, supersedes *IAS 17 Leases* (and related Interpretations). The standard is effective for annual periods beginning on or after January 1, 2019 with earlier application permitted for entities that have also adopted *IFRS 15, Revenue from Contracts with Customers*. The new standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The most significant effect of the new requirements will be an increase in leased assets and financial liabilities included on the balance sheet. The Company has not yet determined the impact of this standard on the consolidated financial statements.

3 New Accounting Standards Adopted

Amendments to IAS 1 Disclosure Initiative

The amendments to *IAS 1* clarify, rather than significantly change, existing *IAS 1* requirements. The amendments clarify:

- The materiality requirements in *IAS 1*;
- That specific line items in the statements of income, comprehensive income and financial position that may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to the financial statements; and
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statements of income and comprehensive income. These amendments are effective for annual periods beginning on or after January 1, 2016. The Company's adoption of these amendments did not have a material impact on the interim consolidated financial statements.

IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets

In May 2014, the IASB issued amendments to *IAS 16* and *IAS 38*, prohibiting the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortization for intangible assets. These amendments are effective for annual periods beginning on or after January 1, 2016, and are to be applied prospectively. The Company's adoption of these amendments did not have a material impact on the interim consolidated financial statements.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to *IFRS 11* require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant *IFRS 3 Business Combinations* principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to *IFRS 11* to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The Company's adoption of these amendments did not have an impact on the interim consolidated financial statements.

4 Acquisition of Lake Superior Consulting, LLC

On January 5, 2016, the Company completed the acquisition of Lake Superior Consulting, LLC ("Lake Superior") for approximately \$37.3 million (US\$27.3 million), inclusive of an earn out payment that was paid in the second quarter of 2016 (excluding cash acquired of \$5.2 million). Lake Superior is a Duluth, Minnesota based professional services firm, specializing in pipeline engineering and integrity management services to major pipeline operators. The business operates from facilities in Minnesota, Texas, Nebraska, Kansas and North Dakota, provides pipeline design, engineering, inspection and commissioning as well as integrity management services, and had 2015 revenue of approximately US\$45 million.

The preliminary value of tangible assets acquired and tangible liabilities assumed was \$11.3 million and \$4.2 million, respectively and the approximate value of intangible assets acquired and related income tax liabilities assumed was \$32.9 million and \$8.0 million, respectively.

5 Financial Instruments

The Company has classified its financial instruments as follows:

(in thousands of Canadian dollars)	September 30 2016	December 31 2015
Fair Value through Profit or Loss		
Cash and cash equivalents	\$ 114,413	\$ 260,645
Derivative financial instruments – assets	1,095	3,024
Derivative financial instruments – liabilities	2,610	1,984
Loans and Receivables, Measured at Amortized Cost		
Loans receivable	7,626	7,908
Trade accounts receivable, net	190,397	284,538
Held-to-maturity		
Short-term investments	2,798	2,954
Deposit guarantee	189	960
Available-for-sale		
Convertible preferred shares	10,000	10,000
Other Financial Liabilities, Measured at Amortized Cost		
Accounts payable	73,709	110,648
Deferred purchase consideration	3,821	3,939
Long-term debt	355,711	485,147

Fair Value

IFRS 13, Fair Value – Measurement, provides a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs are those which reflect market data obtained from independent sources, while unobservable inputs reflects the Company's assumptions with respect to how market participants would price an asset or liability. These two inputs which are used to measure fair value fall into the following three different

levels of the fair value hierarchy:

- Level 1 – Quoted prices in active markets for identical instruments that are observable.
- Level 2 – Quoted prices in active markets for similar instruments; inputs other than quoted prices that are observable and derived from or corroborated by observable market data.
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

The hierarchy requires the use of observable market data when available.

The following table presents the fair value of financial assets and liabilities in the fair value hierarchy as at September 30, 2016:

(in thousands of Canadian dollars)	Fair Value		Level 1		Level 2		Level 3	
Assets								
Cash and cash equivalents	\$	114,413	\$	114,413	\$	–	\$	–
Short-term investments		2,798		2,798		–		–
Derivative financial instruments		1,095		–		1,095		–
Convertible preferred shares		10,000		–		–		10,000
Deposit guarantee		189		–		189		–
	\$	128,495	\$	117,211	\$	1,284	\$	10,000
Liabilities								
Deferred purchase consideration	\$	3,821	\$	–	\$	3,821	\$	–
Derivative financial instruments		2,610		–		2,610		–
Long-term debt		331,747		–		331,747		–
	\$	338,178	\$	–	\$	338,178	\$	–

The derivative financial instruments relate to foreign exchange forward contracts entered into by the Company (as described below) and are valued by comparing the rates at the time the derivatives are acquired to the period-end rates quoted in the market.

Financial Risk Management

The Company's operations expose it to a variety of financial risks including market risk (including foreign exchange and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance. Risk management is the responsibility of Company management. Material risks are monitored and are regularly reported to the Board.

Market Risk

Foreign Exchange Risk

The majority of the Company's business is transacted outside of Canada through subsidiaries operating in several countries. The net investments in these subsidiaries as well as their revenue, operating expenses and non-operating expenses are based in foreign currencies. As a result, the Company's consolidated revenue, expenses and financial position may be impacted by fluctuations in foreign exchange rates as these foreign currency items are translated into Canadian dollars. As at September 30, 2016, fluctuations of +/- 5% in the Canadian dollar, relative to those foreign currencies, would impact the Company's consolidated revenue, income from operations, and net income (attributable to shareholders of the Company) for the nine-month period then ended by approximately \$35.7 million, \$6.4 million and \$6.3 million, respectively, prior to hedging activities. In addition, such fluctuations would impact the Company's consolidated total assets, consolidated total liabilities and consolidated total equity by \$57.6 million, \$16.2 million and \$41.4 million, respectively, as at September 30, 2016.

The objective of the Company's foreign exchange risk management activities is to minimize transaction exposures associated with the Company's foreign currency-denominated cash streams and the resulting variability of the Company's earnings. The Company utilizes foreign exchange forward contracts to manage this foreign exchange risk. The Company does not enter into foreign exchange forward contracts for speculative purposes. With the exception of the Company's US dollar based operations, the Company does not hedge translation exposures.

Foreign Exchange Forward Contracts

The Company utilizes financial instruments to manage the risk associated with foreign exchange rates. The Company formally documents all relationships between hedging instruments and the hedge items, as well as its risk management objective and strategy for undertaking various hedge transactions.

The following table sets out the notional amounts outstanding under foreign exchange contracts, the average contractual exchange rates and the settlement of these contracts as at September 30, 2016:

(in thousands, except weighted average rate amounts)

Canadian dollars sold for US dollars	
Less than one year	C\$ 6,445
Weighted average rate	0.76
US dollars sold for Canadian dollars	
Less than one year	US\$ 12,600
Weighted average rate	1.32
US dollars sold for Euros	
Less than one year	US\$ 27,730
Weighted average rate	0.89
Euros sold for US dollars	
Less than one year	€ 26,211
Weighted average rate	1.13
Euros sold for British Pounds Sterling	
Less than one year	€ 1,200
Weighted average rate	0.81
US dollars sold for British Pounds Sterling	
Less than one year	US\$ 1,302
Weighted average rate	0.77
British Pounds Sterling sold for US dollars	
Less than one year	£ 407
Weighted average rate	1.44
Norwegian Kroners sold for US dollars	
Less than one year	NOK 117,135
Weighted average rate	0.12

The Company does not apply hedge accounting to account for its foreign exchange forward contracts.

As at September 30, 2016, the Company had notional amounts of \$121.0 million of foreign exchange forward contracts outstanding (December 31, 2015 – \$145.7 million) with the fair value of the Company's net loss from all foreign exchange forward contracts totalling \$1.3 million (December 31, 2015 – \$1.0 million net gain).

Net Investment Hedge

The long-term debt has been designated as a hedge of the net investment in one of the Company's subsidiaries, which has the US dollar as its functional currency. During the nine-month period ended September 30, 2016, a gain of \$27.6 million on the translation of the long-term debt was transferred to other comprehensive income to offset the losses on translation of the net investment in the US dollar functional currency subsidiary. There was no ineffectiveness of this hedge for the quarter ended September 30, 2016.

Interest Rate Risk

The following table summarizes the Company's exposure to interest rate risk as at September 30, 2016:

(in thousands of Canadian dollars)	Non-interest Bearing	Floating Rate	Fixed Interest Rate	Total
Financial Assets				
Cash equivalents	\$ –	\$ –	\$ 12,484	\$ 12,484
Short-term investments	2,798	–	–	2,798
Loans receivable	195	4,919	2,512	7,626
Convertible preferred shares	10,000	–	–	10,000
	\$ 12,993	\$ 4,919	\$ 14,996	\$ 32,908

(in thousands of Canadian dollars)	Non-interest Bearing	Floating Rate	Fixed Interest Rate	Total
Financial Liabilities				
Standard letters of credit for performance, bid and surety bonds	\$ 99,990	\$ –	\$ –	\$ 99,990
Long-term debt ^(a)	–	–	355,711	355,711
	\$ 99,990	\$ –	\$ 355,711	\$ 455,701

(a) As per the amendment to the Senior Notes Agreement and Credit Facility in May, 2016, during any period when the Company is permitted an increased Leverage Ratio, increased interest rates and standby and other fees are payable to the Senior Notes holders and under the Credit Facility.

The Company's interest rate risk arises primarily from the floating rate on its loans receivable and is not currently considered to be material.

Credit Risk

Credit risk arises from cash and cash equivalents held with banks, foreign exchange forward contracts, as well as credit exposure of customers, including outstanding accounts receivable. The maximum credit risk is equal to the carrying value of the financial instruments.

For the quarter and nine month periods ended September 30, 2016, there was no customer who generated revenue greater than 10% of total consolidated revenue, respectively. There was no customer that accounted for more than 10% of the Company's total trade accounts receivable.

Liquidity Risk

The Company's objective in managing liquidity risk is to maintain sufficient, readily available cash reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and cash equivalents and through the availability of funding from committed credit facilities. Access to credit facilities is dependent on the Company's compliance with its debt covenants as outlined in Note 15 – Credit Facilities. As at September 30, 2016, the Company had cash and cash equivalents totalling \$114.4 million (December 31, 2015 – \$260.6 million) and had unutilized lines of credit available to use of \$391.0 million (December 31, 2015 – \$491.9 million).

As described in Note 15 – Credit Facilities, the Company has initiated discussions to renegotiate the terms of its debt covenants with respect to its Credit Facility and Senior Notes in order to ensure continued compliance with its debt covenants.

6 Segment Information

Shawcor's operating segments are being reported based on the financial information provided to the Chief Executive Officer, who has been identified as the Chief Operating Decision Maker (“CODM”) in monitoring segment performance and allocating resources between segments. The CODM assesses segment performance based on segment operating income or loss, which is measured differently than income from operations in the consolidated financial statements. Income taxes are managed at a consolidated level and are not allocated to the reportable operating segments.

As at September 30, 2016, the Company had two reportable operating segments: Pipeline and Pipe Services; and Petrochemical and Industrial. Inter-segment transactions between Pipeline and Pipe Services and Petrochemical and Industrial are accounted for at negotiated transfer prices. The aggregation of the reportable segments is based on the customers and markets that the Company serves.

Pipeline and Pipe Services

The Pipeline and Pipe Services segment comprises the following divisions:

- Bredero Shaw, which provides pipe coating, lining and insulation products. During 2015, the Socotherm division was integrated with the Bredero Shaw division;
- Canusa - CPS, which manufactures heat shrinkable sleeves, adhesives and liquid coatings for pipeline joint protection applications;
- Flexpipe Systems, which provides spoolable composite pipe systems;
- Guardian, which provides oilfield tubular management services and inspection, testing and refurbishment of oilfield tubular products;
- Shaw Pipeline Services, which provides ultrasonic and radiographic weld inspection services for land and marine pipeline construction;
- Desert NDT, which provides non-destructive testing services for new oil and gas gathering pipelines and infrastructure integrity management services; and
- Lake Superior Consulting, which provides pipeline engineering and integrity management services to major North American pipeline operators.

Petrochemical and Industrial

The Petrochemical and Industrial segment comprises the Connection Systems division. The Connection Systems division was formed from the 2015 integration of the DSG-Canusa and Shawflex divisions:

- Connection Systems is a global manufacturer of heat-shrinkable products including thin, medium and heavy-walled tubing, sleeves and molded products as well as heat-shrink accessories and equipment; and
- Connection Systems also manufactures wire and cable for control, instrumentation, thermocouple, power, marine and robotics applications.

Financial and Corporate

The financial and corporate division for Shawcor does not meet the definition of a reportable operating segment as defined in IFRS, as it does not earn revenue.

Segment

The following table sets forth information by segment for the quarter ended September 30:

(in thousands of Canadian dollars)	Pipeline and Pipe Services		Petrochemical and Industrial		Financial and Corporate		Eliminations and Adjustments		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue										
External	212,820	439,621	46,161	45,807	–	–	–	–	258,981	485,428
Inter-segment	315	(416)	245	361	–	–	(402)	55	158	–
Total Revenue	213,135	439,205	46,406	46,168	–	–	(402)	55	259,139	485,428
(Loss) income from operations	(170,044)	54,153	6,371	8,175	(4,302)	(7,133)	–	–	(167,975)	55,195
(Loss) income before income taxes	(178,112)	49,358	5,303	7,758	(55)	(6,785)	–	–	(172,864)	50,331

The following table sets forth information by segment for the nine months ended September 30:

(in thousands of Canadian dollars)	Pipeline and Pipe Services		Petrochemical and Industrial		Financial and Corporate		Eliminations and Adjustments		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue										
External	736,555	1,220,167	143,364	135,221	–	–	–	–	879,919	1,355,388
Inter-segment	550	189	733	1,031	–	–	(1,125)	(1,220)	158	–
Total Revenue	737,105	1,220,356	144,097	136,252	–	–	(1,125)	(1,220)	880,077	1,355,388
(Loss) income from operations	(197,341)	111,175	23,717	21,407	(19,193)	(28,849)	–	–	(192,817)	103,733
(Loss) income before income taxes	(219,170)	97,457	22,045	20,132	(12,527)	(27,638)	–	–	(209,652)	89,951

The following table sets forth information for total assets by segment as at:

(in thousands of Canadian dollars)	September 30, 2016	December 31, 2015
Pipeline and Pipe Services	\$ 1,604,738	\$ 2,373,313
Petrochemical and Industrial	117,528	118,464
Financial and Corporate	1,399,628	1,048,489
Elimination and adjustments	(1,488,653)	(1,394,561)
	\$ 1,633,241	\$ 2,145,705

7 Employee Benefits Expense

The Company's costs for the defined benefit pension plans, the post-retirement life insurance plans and the post-employment benefit plan for the three-month and nine-month periods ended September 30, 2016 were \$0.9 and \$3.3 million, respectively (three-month and nine-month periods ended September 30, 2015 – \$1.1 and \$4.0 million, respectively). The Company's costs for the defined contribution pension arrangements for the three-month and nine-month periods ended September 30, 2016 were \$3.1 and \$8.1 million, respectively (three-month and nine-month periods ended September 30, 2015 – \$4.3 and \$8.6 million, respectively).

8 Impairment

The Company evaluates the carrying values of its Cash Generating Units' ("CGUs") goodwill on an annual basis on October 31 to determine whether impairment of these assets has occurred and if write-downs of the value of these assets are required. Further, the Company also evaluates the carrying values of CGUs for long-lived assets, including goodwill, whenever circumstances arise that indicate impairment or reversal of an impairment at each reporting date. Thus, for both definite and indefinite life assets, the Company constantly assesses whether conditions have arisen that may indicate an impairment, in which case an impairment test must be performed and any resulting impairment recorded.

The Company determines the recoverable amount for its CGUs as the higher of Value in Use ("VIU") and the Fair Value Less Costs to Dispose ("FVLCD"). The fair value measurements are categorized as a Level 3 fair value based on the inputs in the valuation method used.

The Company's management has received and reviewed the three-year business plans for each Shawcor business unit. While these plans are not yet final and are subject to review and approval by the Board of Directors, they were evaluated along with the material changes in forecast performance from the 2016 business plans. External data on rig counts forecast for the business plan period, oil and gas demand and supply and other market intelligence was also assessed to determine if there were conditions that indicate an impairment of the Company's CGUs.

The following table sets forth the Company's impairment charges for the nine months ended September 30, 2016:

(in thousands of Canadian dollars)	Socotherm	Desert	Other^(a)	Total
Impairment of property, plant and equipment	\$ 26,103	\$ –	\$ 2,770	\$ 28,873
Impairment of intangible assets	15,220	–	2,396	17,616
Impairment of goodwill	–	108,942	1,880	110,822
Impairment	\$ 41,323	\$ 108,942	\$ 7,046	\$ 157,311
Deferred income tax related to above	(2,985)	–	–	(2,985)
Net impairment	38,338	108,942	7,046	154,326

(a) These amounts include impairment charges of \$1.4 million pertaining to the machinery and equipment of a Bredero Shaw business unit and other impairment charges for Shawcor CSI totalling \$5.6 million, both of which are in the Pipeline and Pipe Services segment.

Impairment Testing for the Socotherm S.p.A. Italian Plants

The Company performed an asset impairment test for its Socotherm S.p.A. Italian plants as at September 30, 2016. This impairment test was determined to be necessary as a result of uncertainties in securing future pipe coating project work to sustain operations at current levels as a result of reductions in oil and gas infrastructure spending by international oil companies and in-country pipe mills. The Company has adjusted its forecast to reflect these uncertainties, thereby impacting the estimate of future cash flows for the plants. The property, plant and equipment of Socotherm S.p.A. has been written down to the lower of carrying value and the recoverable amount as determined based on FVLCD. In addition, the carrying value of the intangible assets have been fully impaired as at September 30, 2016.

Impairment Testing for the Desert Cash Generating Unit ("DCGU")

The Company performed an impairment test for its DCGU as at September 30, 2016. This impairment was assessed due to the decline in the rig count in the United States and uncertainties regarding future oil and gas well drilling and the associated demand for non-destructive testing of new oil and gas gathering line pipelines. The Company has adjusted its forecast to reflect reduced activity levels, thereby impacting the future cash flows for its DCGU.

Recoverable Amount

For the DCGU impairment test the FVLCD was higher than its VIU. The FVLCD of the DCGU is determined by discounting the future free cash flows to be generated from the Company's continuing use of the DCGU. The discount rate

used is post-tax and reflects specific risks relating to the DCGU. The discounted cash flow model employed by the Company reflects the specific risks of the DCGU and its business environment. The model calculates the FVLCD as the present value of the projected free cash flows and the terminal value of the DCGU.

The calculations of FVLCD for the DCGU is most sensitive to the following key assumptions:

- Projected cash flows
- Market assumptions
- Discount rate
- Growth rate and terminal value

Projected Cash Flows

FVLCD calculations use post-tax cash flow projections based on three-year financial business plans prepared by the Company's management, which are then projected out for a further period of two years based on management's best estimates. Cash flows beyond the five-year period are extrapolated using estimated growth rates as applicable. The FVLCD is calculated net of selling costs that are estimated at 2%. Projected cash flows are estimated by adjusting forecasted annual net income (for the forecast period) for non-cash items (such as amortization and accretion), investments in working capital and investments in capital assets. Estimating future earnings requires judgment, consideration of past and actual performance, as well as expected developments in the DCGU's respective markets and in the overall macroeconomic environment.

Market Assumptions

The forecasted revenue for the DCGU in the 3-year Business Plan is based on securing an estimated number of job orders and/or business activity levels. A change in forecasted business activity levels and/or the number of projects estimated to be secured by the DCGU can have a material impact on the projected future cash flows. The gross margin for the DCGU in the Business Plan is also dependent on assumptions made about the number of well completions, availability of trained crews and utilization rates in the future, where applicable. A change in the assumptions of these key inputs can have a material impact on the projected future cash flows.

Discount Rate

The discount rate represents the current market assessment of the risks specific to the DCGU, regarding the time value of money and the individual risks of the underlying assets, which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and the DCGU and is derived from the weighted average cost of capital ("WACC") for the consolidated Company. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Company's investors. The cost of debt is based on the interest bearing borrowings the Company is obliged to service. The DCGU specific risk is incorporated by applying individual specific risk factors. For the DCGU impairment test, a discount rate of 12% has been applied.

Growth Rate and Terminal Value

The terminal value growth rate is used to calculate the terminal value of the DCGU at the end of the projected free cash flow period of five years. For the DCGU, a terminal value growth rate of 2.5% was used reflecting a conservative expectation of long term growth in energy infrastructure investment. This figure also reflects the Company's best estimate of the set of economic conditions that are expected to exist over the forecast period.

Sensitivity to Changes in Assumptions

A one percent increase in the discount rate would have caused the fair value of the DCGU to decrease by \$16.5 million. A one percent increase in the terminal value growth rate would have increased the fair value of the DCGU by \$4.7 million.

9 Finance Costs

The following table sets forth the Company's finance costs for the periods ended:

(in thousands of Canadian dollars)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Interest income on short-term deposits	\$ (334)	\$ (338)	\$ (834)	\$ (733)
Interest expense, other	1,152	1,109	3,485	2,551
Interest expense on long-term debt	3,512	4,084	10,396	11,698
Finance Costs – net	\$ 4,330	\$ 4,855	\$ 13,047	\$ 13,516

10 Income Taxes

The following table sets forth a reconciliation of the Company's effective income tax rate for the nine months ended September 30:

	Nine Months Ended September 30,	
	2016	2015
	%	%
Expected statutory income tax rate	26.9	26.5
Tax rate differential on earnings of foreign subsidiaries	8.6	(3.4)
Benefit of previously unrecognized tax losses	0.4	(3.9)
Unrecognized losses	(34.7)	2.2
Adjustment to prior year provisions	(1.7)	(0.2)
Permanent differences not deductible for tax purposes	1.2	(10.1)
Withholding taxes	(1.6)	12.0
Other	1.3	1.3
Effective Tax Rate	0.4	24.3

The expected tax rate is computed using the average Canadian tax rate based on provincial allocations. The Company did not recognize a deferred tax benefit of \$71.7 million (2015 - \$2.0 million) on losses incurred year-to-date.

11 Earnings (Loss) Per Share

The following table details the weighted-average number of shares outstanding for the purposes of calculating basic and diluted EPS:

(in thousands of Canadian dollars, except share and per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net (loss) income used to calculate EPS				
Net (loss) income (attributable to shareholders of the Company) for the period	\$ (174,019)	\$ 38,107	\$ (208,236)	\$ 67,343
Weighted average number of shares outstanding – basic (000's)	64,611	64,521	64,577	64,509
Dilutive effect of stock options	–	220	–	228
Weighted average number of shares outstanding – diluted (000's)	64,611	64,741	64,577	64,737
Basic EPS	\$ (2.69)	\$ 0.59	\$ (3.22)	\$ 1.04
Diluted EPS	\$ (2.69)	\$ 0.59	\$ (3.22)	\$ 1.04

12 Share-based and Other Incentive-based Compensation

A summary of the status of the Company's stock option and other incentive-based compensation plans and changes during the period is presented below:

Stock Options without Tandem Share Appreciation Rights ("SARs")

	Nine Months Ended September 30, 2016		Year Ended December 31, 2015	
	Total Shares	Weighted Average Exercise Price	Total Shares	Weighted Average Exercise Price
Balance Outstanding - Beginning of Period	1,043,440	\$ 32.27	989,870	\$ 31.71
Granted	223,600	27.72	77,700	35.79
Exercised	(90,800)	24.54	(24,130)	21.05
Balance Outstanding - End of Period	1,176,240	\$ 32.00	1,043,440	\$ 32.27
Options exercisable	727,520	\$ 31.11	686,508	\$ 28.90

September 30, 2016		Options Outstanding			Options Exercisable		
Range of Exercise Price	Outstanding as at September 30, 2016	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Exercisable as at September 30, 2016	Weighted Average Exercise Price		
\$15.01 to \$20.00	164,520	2.25	\$ 15.51	164,250	\$ 15.51		
\$25.01 to \$30.00	310,260	5.77	27.77	133,360	29.45		
\$30.01 to \$35.00	227,100	6.04	32.69	145,160	32.81		
\$35.01 to \$40.00	181,660	6.00	36.65	118,140	37.11		
\$40.01 to \$45.00	246,300	6.25	41.69	147,780	41.69		
\$45.01 to \$50.00	46,400	7.25	45.73	18,560	45.73		
	1,176,240	5.53	\$ 32.00	727,520	\$ 31.11		

December 31, 2015		Options Outstanding			Options Exercisable		
Range of Exercise Price	Outstanding as at December 31, 2015	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Exercisable as at December 31, 2015	Weighted Average Exercise Price		
\$15.01 to \$20.00	169,520	2.98	\$ 15.51	169,520	\$ 15.51		
\$25.01 to \$30.00	219,160	1.54	27.73	219,160	27.73		
\$30.01 to \$35.00	182,100	5.98	32.81	108,220	32.81		
\$35.01 to \$40.00	179,960	6.71	36.66	81,808	37.32		
\$40.01 to \$45.00	246,300	6.98	41.69	98,520	41.69		
\$45.01 to \$50.00	46,400	7.98	45.73	9,280	45.73		
	1,043,440	5.01	\$ 32.27	686,508	\$ 28.90		

The Board of Directors approved the granting of 223,600 stock options during the nine month period ended September 30, 2016 (September 30, 2015 – 77,700) under the 2001 Employee Plan. The total fair value of the stock options granted during the nine month period ended September 30, 2016 was \$1.44 million (nine month period ended September 30, 2015 – \$0.6 million) and was calculated using the Black-Scholes pricing model with the following assumptions:

	Nine Months Ended September 30, 2016		2015	
Weighted average share price	\$	27.72	\$	35.79
Exercise price	\$	27.72	\$	35.79
Weighted average expected life of options		6.25		6.25
Weighted average expected stock price volatility		29.71%		29.0%
Weighted average expected dividend yield		1.88%		1.63%
Weighted average risk-free interest rate		1.24%		1.34%

The volatility measured at the standard deviation of continuously compounded share returns is based on the statistical analysis of daily share prices over the expected life of the options.

The fair value of options granted will be amortized to compensation expense over the five-year vesting period of the options. The compensation cost from the amortization of stock options for the nine month period ended September 30, 2016, included in selling, general and administrative expenses, was \$0.9 million (nine month period ended September 30, 2015 – \$0.9 million).

Stock Options with Tandem Share Appreciation Rights

	Nine Months Ended September 30, 2016		Year Ended December 31, 2015	
	Total Shares	Weighted Average Fair Value ^(a)	Total Shares	Weighted Average Fair Value
Balance Outstanding - Beginning of Period	277,300	\$ 11.69	182,100	\$ 13.29
Granted	110,800	6.77	94,800	8.62
Expired	(20,800)	11.30	400	12.94
Balance Outstanding - End of Period	367,300	\$ 10.23	277,300	\$ 11.69
Options exercisable	144,000	\$ 10.98	113,760	\$ 13.07

(a) The weighted average fair value refers to the fair value of the underlying shares of the Company on the grant date of the SARs.

The mark-to-market liability for the stock options with SARs as at September 30, 2016 is \$1.3 million (December 31, 2015 – \$0.8 million), all of which is included in current and non-current other liabilities on the consolidated balance sheets.

Long-Term Incentive Plan

On March 3, 2010, the Board approved a new long-term incentive program ("LTIP") for executives and key employees and a deferred share unit ("DSU") plan for directors of the Company. Additional details with respect to the LTIP and DSU plan are as follows:

The LTIP includes the existing stock option plan discussed above, the Value Growth Plan ("VGP") and the Employee Share Unit Plan ("ESUP").

VGP

The VGP is a cash-based awards plan, which rewards executives and key employees for improving revenue and operating income over a three-year performance period. Units granted to participants vest at the end of the third year of the performance period for which they were granted. The value of units is determined based on the growth rate in operating revenue and income on a cumulative basis for the three consecutive years that comprise the performance period and is measured against the prior three-year baseline period. Compensation cost is recognized on a straight-line basis over the vesting period. All units granted under the VGP will be classified as liability instruments in accordance with IFRS as their terms require that they be settled in cash.

The VGP liability as at September 30, 2016 is \$2.2 million (December 31, 2015 – \$16.6 million).

ESUP

The ESUP authorizes the Board to grant awards of restricted share units ("RSUs") and performance share units ("PSUs") to employees of the Company as a form of incentive compensation. All RSUs and PSUs are to be settled with common shares and are valued on the basis of the underlying weighted average trading price of the common shares over the five trading days preceding the grant date. The valuation is not subsequently adjusted for changes in the market price of the common shares prior to the settlement of the award. Each RSU and PSU granted under the ESUP represents one common share. The ESUP provides that the maximum number of common shares that are reserved for issuance from time to time shall be fixed at 1,000,000 common shares. The RSUs vest in two tranches over a period of one to five years and four to seven years,

respectively and become exercisable once vesting is completed. Compensation cost is recognized over the vesting period in accordance with IFRS. All RSUs and PSUs granted are classified as equity instruments in accordance with IFRS as their terms require that they be settled in shares.

The following table sets forth the Company's RSUs/PSUs reconciliation as at the periods indicated:

	Nine Months Ended September 30, 2016		Year Ended December 31, 2015	
	Total Shares	Weighted Average Grant Date Fair Value^{(a)(b)}	Total Shares	Weighted Average Grant Date Fair Value^{(a)(b)}
Balance Outstanding - Beginning of Period	472,849	\$ 32.84	261,708	\$ 36.69
Granted	95,648	25.94	231,979	28.77
Exercised	(9,708)	29.62	(3,322)	34.21
Forfeited	(27,162)	30.15	(17,516)	36.27
Balance Outstanding - End of Period	531,627	\$ 31.79	472,849	\$ 32.84
RSUs/PSUs exercisable	143,513	\$ 34.58	95,838	\$ 33.63

- a) RSU awards do not have an exercise price; their weighted average grant date fair value is the weighted average trading price of the common shares over the five trading days preceding the grant date.
- b) PSU awards do not have an exercise price; their weighted average grant date fair value is the weighted average trading price of the common shares over the five trading days preceding the grant date.

DSU

Under the Company's DSU plan, all directors (other than the President and Chief Executive Officer) of the Company can elect to receive all or a portion of their compensation for services rendered as a director of the Company in share units or a combination of share units and cash. The number of DSUs received is equal to the dollar amount to be paid in DSUs divided by the weighted average trading price of the common shares over the five days immediately preceding the date of the grant. DSUs are to be settled at the time that the director ceases to be a member of the Board and each DSU entitles the holder to receive one common share or the cash equivalent. DSUs vest immediately on the date of the grant. The value of a DSU and the related compensation expense is determined and recorded based on the current market price of the underlying common shares on the date of the grant. Common shares are purchased on the open market to settle outstanding share units.

All DSUs granted will be classified as liability instruments on the date of the grant in accordance with IFRS as the unitholder has the option to settle in cash or in shares.

The following table sets forth the Company's DSU reconciliation as at the period indicated:

	Nine Months Ended September 30, 2016		Year Ended December 31, 2015	
	Total Shares	Weighted Average Grant Date Fair Value ^(a)	Total Shares	Weighted Average Grant Date Fair Value ^(a)
Balance Outstanding - Beginning of Period	110,597	\$ 36.37	99,675	\$ 38.04
Granted	28,917	30.46	41,032	31.98
Exercised ^(b)	–	–	(30,110)	35.92
Balance Outstanding - End of Period	139,514	\$ 35.14	110,597	\$ 36.37

(a) DSU awards do not have an exercise price; their weighted average grant date fair value is the weighted average trading price of the common shares over the five trading days preceding the grant date.

(b) DSU awards cannot be exercised while the director is still a member of the Board.

The mark-to-market liability for the DSUs as at September 30, 2016 is \$4.5 million (December 31, 2015 – \$3.1 million), all of which is included in current other liabilities on the consolidated balance sheets.

Incentive-based Compensation

The following table sets forth the incentive-based compensation expense for the period indicated:

(in thousands of Canadian dollars)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Stock option expense	\$ 315	\$ 328	\$ 937	\$ 867
VGP expense	129	1,685	(351)	2,730
DSU expense	324	(541)	1,412	(408)
RSUs/PSUs expense	1,095	767	3,327	2,192
SAR expense	121	118	536	415
Total incentive-based compensation expense	\$ 1,984	\$ 2,357	\$ 5,861	\$ 5,796

13 Cash and Cash Equivalents

The following table sets forth the Company's cash and cash equivalents as at:

(in thousands of Canadian dollars)	September 30, 2016	December 31, 2015
Cash	\$ 101,929	\$ 250,030
Cash equivalents	12,484	10,615
Total	\$ 114,413	\$ 260,645

14 Loans and Notes Receivable

The following table details the loans receivable as at:

(in thousands of Canadian dollars)	September 30, 2016	December 31, 2015
Current		
Loan receivable	\$ 2,661	\$ –
	2,661	–
Non-current		
Notes receivable ^(a)	\$ 4,919	\$ 5,166
Loan receivable	46	2,742
	4,965	7,908
Total	\$ 7,626	\$ 7,908

(a) Long-term notes receivable relate to an amount advanced by the Company to an external party to support the construction of port facilities at a Bredero Shaw plant location in Kabil, Indonesia. Interest is payable semi-annually at U.S. prime plus 0.25%, with principal repayments to be made in four semi-annual instalments beginning no later than March 31, 2018, as set out in the loan agreement terms. As at September 30, 2016, the amount of the note receivable was U.S. \$3,757 (December 31, 2015 – U.S. \$3,726).

15 Credit Facilities

The following table sets forth the Company's total credit facilities as at:

(in thousands of Canadian dollars)	September 30, 2016	December 31, 2015
Standard letters of credit for performance and bid bonds (note 17)	\$ 99,990	\$ 132,052
Total utilized credit facilities	99,990	132,052
Total available credit facilities ^(a)	491,025	623,970
Unutilized Credit Facilities	\$ 391,035	\$ 491,918

(a) The Company guarantees the bank credit facilities of its subsidiaries.

On March 20, 2013, the Company renewed its Unsecured Committed Bank Credit Facility ("Credit Facility") for a period of five years, with terms and conditions similar to the prior agreement, except that the maximum borrowing limit was raised by US\$100 million from US\$150 million to US\$250 million, with an option to increase the credit limit to US\$400 million with the consent of the lenders. On June 16, 2015, the option to increase the credit limit to US\$400 million was exercised with the consent of the lenders and a new option to increase the credit limit to US\$550 million with the consent of the lenders was added. The Company pays a floating interest rate on this Credit Facility that is a function of the Company's Total Debt to Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio. Allowable credit utilization outside of this facility is US\$50 million. In May 2016, the Company and the lenders agreed to certain amendments to the Credit Facility, including a reduction in the credit limit to US\$325 million as described below in the section captioned, "Amendments to Senior Notes Agreement and Credit Facility".

Repurchase of US\$78 Million of Long-term Debt ("Senior Notes")

In the second quarter of 2016, the Company utilized a portion of its existing cash balances to repurchase approximately US\$78 million of its Senior Notes at a purchase price of approximately US\$79 million (\$101.8 million at the then current exchange rate) plus accrued interest.

Amendments to Senior Notes Agreement and Credit Facility

On May 10, 2016, the Company entered into amending agreements with the holders of its Senior Notes and the syndicate of lenders under the Credit Facility. The principal amendments to the agreements with the holders of the Senior Notes and to the Credit Facility were as follows:

- a) an increase in the Company's permitted Total Debt to EBITDA covenant (the "Leverage Ratio") (previously a maximum of 3.00 to 1.00) to 4.25 to 1.00 for the fiscal quarters ending September 30, 2016 and December 31, 2016;
- b) at the Company's option, an increase in the Leverage Ratio to 3.75 to 1.00 and 3.5 to 1.00 for the quarters ending March 31, 2017 and June 30, 2017, respectively;
- c) increased interest rates and standby and other fees payable to Senior Notes holders, and under the Credit Facility during any period when the Company is permitted an increased Leverage Ratio (an "Increased Leverage Period");
- d) a reduction in the size of the Credit Facility from US\$400 million to US\$325 million; and
- e) a change to the definition of the Leverage Ratio, which currently permits deductions from Total Debt of up to US\$75 million in letters of credit which are performance guarantees ("Performance Guarantees"), to permit deduction from Total Debt of up to US\$100 million in Performance Guarantees on a permanent basis and up to US\$150 million in Performance Guarantees on a temporary basis during any Increased Leverage Period.

The Company incurred fees and expenses of \$2.1 million to implement these amendments in the second quarter of 2016.

Debt Covenants

The Company has undertaken to maintain certain covenants in respect of the Unsecured Committed Bank Credit Facility. Specifically, the Company is required to maintain an Interest Coverage Ratio (EBITDA plus rental payments divided by interest expense plus rental payments) of more than 2.50 to 1.00 and Leverage Ratio of 4.25 to 1.00 for the quarters ended September 30 and December 31, 2016. The Company may elect to increase the Leverage Ratio to 3.75 to 1.00 and 3.50 to 1.00 for the quarters ended March 31 and June 30, 2017, respectively. The Company was in compliance with the Leverage Ratio and the Interest Coverage Ratio as at September 30, 2016 and December 31, 2015.

During October 2016, the Company initiated discussions to renegotiate the terms of its debt covenants with respect to its Credit Facility and Senior Notes in order to address the risks that the Company may not comply with its debt covenants as of December 31, 2016, the next date at which covenant compliance will be measured. It has received commitments, subject to certain customary conditions, for covenant amendments and an extension of the facility maturity from the two lead banks of the Credit Facility and is in discussions with the other participants in the Credit Facility and its Senior Note holders to obtain their consent for the proposed amendments.

16 Long-term Debt

The Senior Notes balance as at September 30, 2016 is \$355.7 million (US\$271.8 million) (December 31, 2015 – \$485.1 million (US\$350.0 million)). The Senior Notes have been designated as a hedge of the Company's net investment in its US dollar functional currency subsidiary as described in note 5.

The Company has undertaken to maintain certain covenants in respect of the Senior Notes that are consistent with the debt covenants described for the Company's Credit Facility. The Company was in compliance with these covenants as at September 30, 2016 and December 31, 2015. Please refer to note 15 for a description of the repayments of the Senior Notes made in the second quarter of 2016, for a description of the changes made to the debt covenants under the Credit Facility and Senior Notes during May 2016. The Company has made a further offer to repurchase up to US\$75 million of its Senior Notes from its lenders, the completion of which is conditional on the agreement of the relevant parties for the proposed covenant amendments. Until the conditions are met, there can be no assurance that the Notes will be repurchased.

17 Commitments and Contingencies

Legal Claims

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, suppliers and other third parties. Management believes that adequate provisions have been recorded in the accounts where required. Although it is not possible to estimate the extent of potential costs and losses, if any, management believes, but can provide no assurance, that the ultimate resolution of such contingencies would not have a material adverse effect on the consolidated financial position of the Company.

Performance, Bid and Surety Bonds

The Company provides standby letters of credit and performance, bid and surety bonds through financial intermediaries to various customers in support of project contracts for the successful execution of these contracts. If the Company fails to perform under the terms of the contract, the customer has the ability to draw upon all or a portion of the letter of credit or bond as compensation for the Company's failure to perform. The contracts that these letters of credit and bonds support generally have a term of one to three years, but could extend up to four years. Bid bonds typically have a term of less than one year and are renewed, if required, over the term of the applicable contract. Historically, the Company has not made and does not anticipate that it will be required to make material payments under these types of letters of credit and bonds.

The Company utilizes the Credit Facility to support its bonds. The Company has utilized total credit facilities of \$100 million as at September 30, 2016 (December 31, 2015 – \$132.1 million) for support of its bonds. In addition, as at September 30, 2016, the Company had \$100.8 million of outstanding surety bonds through insurance companies (December 31, 2015 – \$130.8 million).

18 Share Capital

The following table sets forth the changes in the Company's shares for the periods indicated:

(in thousands of Canadian dollars)

Number of Shares

Balance, December 31, 2015	64,521,301
Issued on exercise of stock options	90,800
Issued on exercise of RSUs	9,708

Balance, September 30, 2016	64,621,809
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Stated Value:

Balance, December 31, 2015	\$	534,484
Proceeds from exercise of stock options		2,228
Compensation cost on exercised stock options		733
Compensation cost on exercised RSUs		279

Balance, September 30, 2016	\$	537,724
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(in thousands of Canadian dollars)

Number of Shares

Balance, December 31, 2014	64,493,849
Issued on exercise of stock options	24,130
Issued on exercise of RSUs	3,322

Balance, December 31, 2015 64,521,301

Stated Value:

Balance, December 31, 2014	\$	533,660
Issued on exercise of stock options		508
Compensation cost on exercised stock options		197
Compensation cost on exercised RSUs		119

Balance, December 31, 2015 \$ 534,484

All shares have been issued and fully paid and have no par value. There are an unlimited number of common shares authorized. Holders of common shares are entitled to one vote per share.

Dividends declared and paid were as follows:

(Dollar amounts per share)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Dividends declared and paid to shareholders	\$ 9,694	\$ 9,678	\$ 29,016	\$ 29,030
Dividends declared and paid per share	\$ 0.15	\$ 0.15	\$ 0.45	\$ 0.45

19 Consolidated Financial Statements

The comparative interim consolidated financial statements have been reclassified from consolidated financial statements previously presented to conform to the presentation of the current year interim consolidated financial statements in accordance with IAS 34.